

Accrued Expenses



Expenses accrued during one Fiscal Period but not paid until a later fiscal period.

These expenses are recorded as an adjusting entry and the entry increases an **Expense Account** and a **Payable Account**.

Interest accrued but not paid is called **Accrued Interest Expense**.

ANALYZING AN ADJUSTMENT FOR ACCRUED INTEREST EXPENSE

Winning Edge, Inc.								
Work Sheet								
For Year Ended December 31, 20--								
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
15 Interest Payable				(h) 20000				20000
52 Interest Expense	114300		(h) 20000		134300			

1. Debit Interest Expense.
2. Credit Interest Payable.
3. Record the adjusting entry.

GENERAL JOURNAL							PAGE 15
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
1	Adjusting Entries						1
31	Interest Expense			20000			16
	Interest Payable				20000		17
							18
							19

POSTING AN ADJUSTING ENTRY FOR ACCRUED INTEREST EXPENSE

GENERAL JOURNAL						PAGE 15
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
1	<i>Adjusting Entries</i>					1
16	31 Interest Expense		8105	200 00		16
17	Interest Payable		2110		200 00	17
18						18
19						19
20						20

1

2

1. Post the debit.
2. Post the credit.

ACCOUNT Interest Payable						ACCOUNT NO. 2110
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Dec. 31		G15		200 00		200 00

ACCOUNT Interest Expense						ACCOUNT NO. 8105
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Dec. 21		CP36	75 00		1143 00	
31		G15	200 00		1343 00	

REVERSING ENTRY FOR ACCRUED INTEREST EXPENSE

GENERAL JOURNAL										PAGE 17
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT	
1		<i>Reversing Entries</i>								1
4	1	<i>Interest Payable</i>			20000					
5		<i>Interest Expense</i>							20000	5
6										6

1. Debit Interest Payable.
2. Credit Interest Expense.

PAYING A NOTE PAYABLE SIGNED IN A PREVIOUS FISCAL PERIOD

CASH PAYMENTS JOURNAL									
PAGE 55									
DATE	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNT CREDIT	CASH CREDIT	
				DEBIT	CREDIT				
21	1 Notes Payable	916	2105	500000				530000	21
22	Interest Expense		8105	30000					22
23									23

ACCOUNT Notes Payable						
ACCOUNT NO. 2105						
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Sept. 2		CR28		500000		500000
Mar. 1		CP55	500000			
ACCOUNT Interest Expense						
ACCOUNT NO. 8105						
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
31		G15	20000		134300	
31		G16		134300		
Jan. 1		G17		20000		20000
Mar. 1		CP55	30000		10000	

1. Debit for Principal
2. Debit for Total Interest
3. Credit for Maturity Value
4. Post amounts in General columns.

Not Using Reversing Entries



Items would be used twice creating inconsistencies and mistakes in the accounting process.

Items would have to be consistently evaluated to determine where the interest would be recorded and divide it appropriately.